



Federal Managers' Financial Integrity Act (FMFIA) Summary

Customs has evaluated its management controls and financial management systems for the fiscal year ending September 30, 1999, as required by the FMFIA of 1982. In addition to its internal evaluations, Customs also relied upon independent financial statement audits, conducted under the auspices of the CFO Act and the GMRA, in its assessment process.

Customs fully supports the objectives of FMFIA and FFMIA in promoting greater accountability throughout government. Considerable emphasis has been placed on the establishment of effective internal and quality controls. Of the 115 internal control weaknesses identified under Section 2 since inception of the program, 111 have been corrected and closed, leaving only 4 unresolved as of September 30, 1999. The 4 unresolved items are from prior years and their correction primarily involves systems development, systems enhancement, or security issues. Of the 35 accounting systems non-conformances identified since the beginning of the program, 2 remain unresolved.

We closed 2 weaknesses this year and 4 of our remaining 6 weaknesses are scheduled for closure in FY 2000. No new Section 4 weaknesses were reported this year. As evidenced by the number of weaknesses reported and closed over time, Customs has made significant progress in addressing and resolving management controls issues. The unqualified opinion received on the FY 1999 Financial Statements is one reflection of the positive results of our efforts to correct conditions noted in the CFO audit process.

We have now arrived at a point where we cannot resolve remaining weaknesses without significant external support and understanding. The magnitude and scope of our systems deficiencies mandate comprehensive solutions requiring major resources. Customs will continue to seek appropriated funds needed to move forward on these initiatives. In the meantime, we will utilize those compensating procedures and controls at our disposal to assure the integrity of our financial operations.

Annual Assurance Statement for FY 1999

Due to current deficiencies in the quality and adequacy of data provided by Customs financial accounting and reporting systems, I cannot provide reasonable assurance that Customs overall controls and financial management systems are in conformance with the standards prescribed by the Comptroller General of the United States. Based on the results of this year's Office of Inspector General audit of Customs financial systems under the Chief Financial Officers (CFO) Act, we do not have reasonable assurance that the objectives of Section 4 of the FMFIA have been achieved, namely the conformance of our fiscal and administrative systems to General Accounting Office principles and standards. As a consequence, I cannot state compliance with the financial management system requirements of the Federal Financial Management Improvement Act (FFMIA). However, with the exception of the material weaknesses described, I can provide reasonable assurance that the general internal control objectives of Section 2 of the FMFIA have been achieved.

Section 2, Internal Control

	Number of Material Weaknesses		
	Number reported for the first time in:	For that year, number that have been corrected:	For that year, number still pending:
Prior Years	112	109	3
1997 Report	2	1	1
1998 Report	1	1	0
1999 Report	0	0	0
Total	115	111	4
Of the total number corrected, how many were corrected in 1999? 1			

Section 4, Financial Management Systems

	Number of Material Non-Conformances		
	Number reported for the first time in:	For that year, number that have been corrected:	For that year, number still pending:
Prior Years	35	33	2
1997 Report	0	0	0
1998 Report	0	0	0
1999 Report	0	0	0
Total	35	33	2
Of the total number corrected, how many were corrected in 1999? 1			



SECTION I, PART A: OPEN MATERIAL WEAKNESSES (Section 2A) AS OF 9/30/99:

Bureau and Control Number	Title of Material Weakness:	Description of Material Weakness:	Major Milestones a) Short Term b) Long Term	Milestone Dates	
				Original Due Dates	Current Due Dates
CS-93-01	Lack of controls in Customs in-bond program	Program provided little assurance revenue loss or transportation of contraband was not occurring.	a) TINMAN System in full operation; TINMAN II to provide reporting and analysis capabilities and better user interface.	4/1/97	10/28/98 9/30/00
CS-94-02	Inability to timely restore critical systems; lack of a disaster recovery plan	Deficiencies impair Customs ability to respond to a disruption in business operations.	a) Work to implement MOU with IRS on backup site; replace job execution software; and upgrade telecommunications network; b) Revise Business Impact Analysis and Disaster Recovery Plans and investment management process	12/31/99 4/30/00 9/30/00 TBD	
CS-95-01	Inappropriate access to ADP files, inadequate control of emergency change process, and inappropriate separation of duties	Access capabilities and control mechanisms for critical applications and major support systems need improvement.	a) Restrict programmer access to production programs; transfer security functions and duties from SEACATS to AISSD; and fully install software to control changes in application software.	3/31/97 9/30/99 3/31/00	3/31/00 3/31/00 9/30/00
CS-98-01	Discrepancies in Customs Outbound Air Manifest Process	A survey of the air outbound manifest process found discrepancies in both Customs and air carrier procedures. A significant number of manifests and shipping declarations were missing	a) Conduct a statistically valid national survey and review manifest procedures at airports to assure adherence to internal procedures.	6/30/99	2/01/00

SECTION I, PART B: THE COMPLETE LIST OF MATERIAL WEAKNESSES (Section 2A) CLOSED DURING FY 1999:

Bureau and Control Number	Title of Material Weakness:	Description of Material Weakness:	Validation Process to be Used	Date Closed
CS-97-01	Lack of an enterprise information technology architecture	Customs did not have an enterprise IT architecture (EA) appropriate for implementing IT investments in its business processes.	The EA Repository, EA Blueprint, and Technical Reference Model were provided to Customs Audit Oversight Office to verify and validate corrections to the weakness.	9/14/99



**SECTION II, PART A: OPEN ADMINISTRATIVE SYSTEMS' NON-CONFORMANCES (Section 4A)
AS OF 9/30/99:**

Bureau and Control Number	Title of Non-Conformances:	Description of Non-Conformances:	Major Milestones a) Short Term b) Long Term	Milestone Dates	
				Original Due Dates	Current Due Dates
CS-93-01	Financial Systems	Customs financial systems do not provide complete and accurate information for financial reporting and for preparation of audited financial statements.	a) Complete acceptance testing of new software chosen to replace general ledger. b) Pilot test of the initial version of the subsidiary ledger; pilot software deployment of the SAP-R/3 software for the SGL; implement full software deployment of new SGL software; establish an integrated financial system based on IT modernization of commercial systems. This will include a fully developed subsidiary ledger and collections, payable, and disbursing functions. Phase 2 will establish the generic structure of the system; in Phase 3 and in Phase 4 transaction specific functionality will be added.	5/01/00 3/31/99 10/01/00 10/01/02 9/30/05	9/30/01 9/30/02 9/30/03 9/30/04

SECTION II, PART B: THE COMPLETE LIST OF ADMINISTRATIVE SYSTEMS' NON-CONFORMANCES (Section 4A) CLOSED DURING FY 1999: None reported.

**SECTION III, PART A: OPEN FISCAL SYSTEMS' NON-CONFORMANCES (Section 4F)
AS OF 9/30/99:**

Bureau and Control Number	Title of Non-Conformances:	Description of Non-Conformances:	Major Milestones a) Short Term b) Long Term	Milestone Dates	
				Original Due Dates	Current Due Dates
CS-93-02	Seized Property Systems	The automated systems and manual processes for tracking accounting for seized property were not reliable.	a) Automate the currency and property functions to generate a complete analysis of changes in seized and forfeited property; complete module in SEACATS to process refunds to multiple violators; complete asset sharing module in SEACATS; provide multiple forfeiture functionality in SEACATS; and improve General Ledger updates.	9/30/99 9/30/00 9/30/00 9/30/00 9/30/00	9/30/99

SECTION II, PART B: THE COMPLETE LIST OF FISCAL SYSTEMS' NON-CONFORMANCES (Section 4F) CLOSED DURING FY 1999:

Bureau and Control Number	Title of Material Weakness:	Description of Non-Conformances:	Validation Process To Be Used	Date Closed
CS-93-04	Fines, Penalties, and Forfeitures (FP&F)	Data integrity problems existed in the FP&F system files because of the system's inability to capture certain FP&F case data and because of inaccurate data input to the system.	The effectiveness of corrective actions will be validated by Customs audit oversight process and through CFO audit review.	9/30/99